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**AGENCY OVERVIEW****120 Office of the State Treasurer**

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**Date:** 12/23/2014**Time:** 11:47:01**Statutory Authority**

ND Constitution Article V, Section 02; Article X, Sections 12 and 25; North Dakota Century Code Sections 4-24-09, 4-28-08, 5-01, 5-03, 5-04, 15-03-01, 15-10-12, 15-13-07, 16.1-15-33, 21-01, 21-04, 21-10-01, 25-01-11, 32-15-31, 37-14-14, 37-15, 50-27-01, 54-06, 54-11, 54-16-08, 54-27, 54-30, 55-01, 57-13-01, 57-32-05, 57-51-14, and 65-04-30.

**Agency Description**

The Office of State Treasurer serves as the custodian of all state funds. The agency is responsible for the cash management of the general fund as well as the investment services of special funds and numerous trust funds. The agency is also responsible for distributing accurate and timely tax distributions to over 500 political subdivisions across the state.

**Agency Mission Statement**

The mission of the Office of State Treasurer is to fulfill our constitutional and statutory responsibilities, to assure sound financial oversight and transparency to all public funds, and to promote prudent practices in government.

**Agency Performance Measures**

- The Office of State Treasurer provides a daily investment management service to over 25 state agencies and trust funds, which amounts to over 90 individual investment accounts.
- The agency is responsible for the distribution of over 1.5 million accounting, human service and payroll checks biennially.
- Daily, our agency manages nearly \$4.00 billion of state general and special funds.
- During FY 2014 the Office of State Treasurer performed direct deposit-electronic funds transfer for tax distributions of over \$1.0 billion to approximately 500 political subdivisions, which not only makes the money available to subdivisions in a timely manner, but also enhances government efficiency at both the state and local level.

**Major Accomplishments**

1. Updated Tax Distribution Outstanding Check (TDOC) system to accommodate the major changes made to the Oil and Gas Gross Production Tax distributions as spelled out in House Bill 1358.
2. Finalized the addition of Coal Conversion and Coal Severance Tax distributions to TDOC.
3. Enhanced our agency website to include a government funds section which helps to identify and define various funds held by the State. This tool has helped auditors, state agencies, legislators and the general public, by giving them a single resource to see where funds are being held and for what purpose. It has brought added transparency to the state's finances. Our agency will continue to expand our website content with a full rewrite scheduled to be released by the end of the biennium.
4. Provided education, outreach and enhanced cooperation with political subdivisions. The Office of the State Treasurer directed more attention to its relationship with political subdivisions throughout the 2011-13 biennium. Our office works closely with political subdivisions through tax distributions. It is crucial to have a good working relationship with each subdivision served. Further, as distributions become more complex and as the new tax distribution software changes the process and reports available to political subdivisions, outreach and communication is crucial to ensure quality customer service.
5. Maintained and strengthened the line of communication with financial officers throughout state government to address the daily cash needs and expenditures of their agency.
6. Developed new database and report systems.
7. Continued policy and procedure development.
8. Continued cross training of staff.
9. Completed a long-range strategic plan.

**Future Critical Issues**

As minerals continue to be an increasingly important asset to the state, we must maintain and expand our use of technology to assist in the management of the revenue stemming from those minerals. Oil and gas is distributed by a very sophisticated formula, providing as much information to political subdivisions and effected agencies as possible is crucial. Our agency must stay ahead of the technology needed to properly distribute funds. Furthermore, it is critical that we provide timely, informative reports

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to those who bear the responsibility of distributing funds beyond our office. During the 2013-15 biennium we have worked to maintain and expand our online tax distribution system (TDOC). Going forward we must ensure that we can continue to improve this system to best perform the duties of this office and serve the agencies and political subdivision of the state.

**REQUEST SUMMARY**

120 Office of the State Treasurer

Biennium: 2015-2017

Bill#: SB2005

Date: 12/23/2014

Time: 11:47:01

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>By Major Program</b>					
Administration	150,508,523	210,951,589	(209,100,455)	1,851,134	50,880
<b>Total Major Program</b>	<b>150,508,523</b>	<b>210,951,589</b>	<b>(209,100,455)</b>	<b>1,851,134</b>	<b>50,880</b>
<b>By Line Item</b>					
Salaries and Wages	1,049,177	1,399,557	20,443	1,420,000	0
Accrued Leave Payment	0	13,038	(13,038)	0	0
Operating Expenses	229,335	526,194	(340,060)	186,134	50,880
Transportation Funding	149,105,000	0	0	0	0
Coal Severance Payments	125,011	252,800	(7,800)	245,000	0
Township Allocation	0	8,760,000	(8,760,000)	0	0
Property Tax Relief Credits	0	200,000,000	(200,000,000)	0	0
<b>Total Line Items</b>	<b>150,508,523</b>	<b>210,951,589</b>	<b>(209,100,455)</b>	<b>1,851,134</b>	<b>50,880</b>
<b>By Funding Source</b>					
General Fund	150,508,523	210,951,589	(209,100,455)	1,851,134	50,880
Federal Funds					
Special Funds					
<b>Total Funding Source</b>	<b>150,508,523</b>	<b>210,951,589</b>	<b>(209,100,455)</b>	<b>1,851,134</b>	<b>50,880</b>
<b>Total FTE</b>	<b>7.00</b>	<b>8.00</b>	<b>0.00</b>	<b>8.00</b>	<b>0.00</b>

# REQUEST DETAIL

120 Office of the State Treasurer  
Biennium: 2015-2017

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Date: 12/23/2014

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>Salaries and Wages</b>					
Salaries - Permanent	757,681	965,073	9,668	974,741	0
Temporary Salaries	4,664	60,000	1	60,001	0
Fringe Benefits	286,832	374,484	10,774	385,258	0
<b>Total</b>	<b>1,049,177</b>	<b>1,399,557</b>	<b>20,443</b>	<b>1,420,000</b>	<b>0</b>
<b>Salaries and Wages</b>					
General Fund	1,049,177	1,399,557	20,443	1,420,000	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>1,049,177</b>	<b>1,399,557</b>	<b>20,443</b>	<b>1,420,000</b>	<b>0</b>
<b>Accrued Leave Payment</b>					
Salaries - Permanent	0	13,038	(13,038)	0	0
<b>Total</b>	<b>0</b>	<b>13,038</b>	<b>(13,038)</b>	<b>0</b>	<b>0</b>
<b>Accrued Leave Payment</b>					
General Fund	0	13,038	(13,038)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>13,038</b>	<b>(13,038)</b>	<b>0</b>	<b>0</b>
<b>Operating Expenses</b>					
Travel	2,016	13,000	0	13,000	5,000
Supplies - IT Software	2,703	1,500	0	1,500	0
Supply/Material-Professional	2,062	2,100	0	2,100	0
Miscellaneous Supplies	55	0	0	0	0
Office Supplies	5,718	4,500	0	4,500	1,000
Postage	4,121	4,250	0	4,250	500
Printing	1,338	1,500	0	1,500	1,500
IT Equip Under \$5,000	2,701	7,000	0	7,000	0
Other Equip Under \$5,000	1,609	0	0	0	0
Office Equip & Furn Supplies	3,093	7,000	0	7,000	0
Insurance	2,143	2,400	0	2,400	0
Rentals/Leases-Equip & Other	3,121	3,400	0	3,400	0
Repairs	1,414	2,100	0	2,100	0
IT - Data Processing	175,736	447,724	(340,060)	107,664	6,000
IT - Communications	10,374	11,000	0	11,000	0
IT Contractual Svcs and Rprs	0	0	0	0	20,880

**REQUEST DETAIL**

120 Office of the State Treasurer  
Biennium: 2015-2017

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Date: 12/23/2014

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Professional Development	6,780	9,306	0	9,306	10,000
Operating Fees and Services	4,351	4,300	0	4,300	0
Fees - Professional Services	0	5,114	0	5,114	6,000
<b>Total</b>	<b>229,335</b>	<b>526,194</b>	<b>(340,060)</b>	<b>186,134</b>	<b>50,880</b>

**Operating Expenses**

General Fund	229,335	526,194	(340,060)	186,134	50,880
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>229,335</b>	<b>526,194</b>	<b>(340,060)</b>	<b>186,134</b>	<b>50,880</b>

**Transportation Funding**

Tax Dist to Government Units	69,694,995	0	0	0	0
Transfers Out	79,410,005	0	0	0	0
<b>Total</b>	<b>149,105,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Transportation Funding**

General Fund	149,105,000	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>149,105,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Coal Severance Payments**

Tax Dist to Government Units	125,011	252,800	(7,800)	245,000	0
<b>Total</b>	<b>125,011</b>	<b>252,800</b>	<b>(7,800)</b>	<b>245,000</b>	<b>0</b>

**Coal Severance Payments**

General Fund	125,011	252,800	(7,800)	245,000	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>125,011</b>	<b>252,800</b>	<b>(7,800)</b>	<b>245,000</b>	<b>0</b>

**Township Allocation**

Tax Dist to Government Units	0	8,760,000	(8,760,000)	0	0
<b>Total</b>	<b>0</b>	<b>8,760,000</b>	<b>(8,760,000)</b>	<b>0</b>	<b>0</b>

**Township Allocation**

General Fund	0	8,760,000	(8,760,000)	0	0
Federal Funds	0	0	0	0	0

**REQUEST DETAIL**

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 Biennium: 2015-2017

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Special Funds	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>8,760,000</b>	<b>(8,760,000)</b>	<b>0</b>	<b>0</b>
<b>Property Tax Relief Credits</b>					
Tax Dist to Government Units	0	200,000,000	(200,000,000)	0	0
<b>Total</b>	<b>0</b>	<b>200,000,000</b>	<b>(200,000,000)</b>	<b>0</b>	<b>0</b>
<b>Property Tax Relief Credits</b>					
General Fund	0	200,000,000	(200,000,000)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>200,000,000</b>	<b>(200,000,000)</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>					
General Fund	150,508,523	210,951,589	(209,100,455)	1,851,134	50,880
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total Funding Sources</b>	<b>150,508,523</b>	<b>210,951,589</b>	<b>(209,100,455)</b>	<b>1,851,134</b>	<b>50,880</b>

**CHANGE PACKAGE SUMMARY**

120 Office of the State Treasurer

Biennium: 2015-2017

Bill#: SB2005

Date: 12/23/2014

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<b><u>Base Budget Changes</u></b>						
<b>One Time Budget Changes</b>						
A-E 1 Remove One-time IT Development Costs		0.00	(390,838)	0	0	(390,838)
A-E 2 Remove One-time Property Tax Relief		0.00	(200,000,000)	0	0	(200,000,000)
A-E 3 Remove One-time Distribution in Oil Counties		0.00	(8,760,000)	0	0	(8,760,000)
<b>Total One Time Budget Changes</b>		<b>0.00</b>	<b>(209,150,838)</b>	<b>0</b>	<b>0</b>	<b>(209,150,838)</b>
<b>Ongoing Budget Changes</b>						
A-A 4 IT Costs Adjustment		0.00	50,778	0	0	50,778
A-A 6 Remove Coal Severance Payments from Base		0.00	(252,800)	0	0	(252,800)
A-A 7 Add Coal Severance Payments to Base Budget		0.00	245,000	0	0	245,000
Base Payroll Change		0.00	7,405	0	0	7,405
<b>Total Ongoing Budget Changes</b>		<b>0.00</b>	<b>50,383</b>	<b>0</b>	<b>0</b>	<b>50,383</b>
<b>Total Base Budget Changes</b>		<b>0.00</b>	<b>(209,100,455)</b>	<b>0</b>	<b>0</b>	<b>(209,100,455)</b>
<b><u>Optional Budget Changes</u></b>						
<b>Ongoing Optional Changes</b>						
A-C 5 Operating Expense Increase	1	0.00	30,000	0	0	30,000
A-C 8 ITD Desktop Services Program	2	0.00	20,880	0	0	20,880
<b>Total Ongoing Optional Changes</b>		<b>0.00</b>	<b>50,880</b>	<b>0</b>	<b>0</b>	<b>50,880</b>
<b>Total Optional Budget Changes</b>		<b>0.00</b>	<b>50,880</b>	<b>0</b>	<b>0</b>	<b>50,880</b>

**BUDGET CHANGES NARRATIVE**

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<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 4	<b>Priority:</b>
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## IT Costs Adjustment

With the change in fee structure at the Information Technology Department, it was determined that our operating expenses in relation to our ITD data hosting were going to rise. \$42,000 of this base budget change is the result of this change in fee structure.

The additional \$8,778 base budget change in IT costs is related to the continued complexity of the tax distributions made by the Office of State Treasurer. In order to ensure that these complex distributions are continually being calculated correctly, additional ITD support is required.

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 6	<b>Priority:</b>
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## Remove Coal Severance Payments from Base

To remove prior biennium funding for coal severance payments from base budget.

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 7	<b>Priority:</b>
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## Add Coal Severance Payments to Base Budget

NDCC section 57-62-02(5) requires the Office of State Treasurer to include in its biennial budget request funds for the purpose of reimbursing coal producing counties for 50% of Coal Severance Tax funds paid to non-coal producing counties from coal producing counties. This \$245,000 base budget increase is representative of this required amount.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 5	<b>Priority:</b> 1
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## Operating Expense Increase

The continued economic prosperity of the state is providing for a great number of opportunities, but with these opportunities come great challenges. The Office of State Treasurer has felt a number of these challenges as the demands placed on our office have grown exponentially along with the economic activity of the state. We pride ourselves on being as efficient and effective as possible when utilizing the taxpayers' dollars, it has become apparent that additional funding will be required to continue providing the high level of service expected.

The surge in activity and complexity can be seen in a number of areas. Specifically, the state's general fund account, which we reconcile on a daily basis, continues to hit record highs and is currently over \$3.6 billion. Along with that, the magnitude of wire transfer activity in and out of this account continues to increase. This places added demands on our staff; tracking account activity and cash flow needs.

Another area that has seen significant increases in dollar amount and complexity is with the distributions made by our office on a monthly, quarterly, semi-annual and annual basis. This biennium-to-date, the distributions made by this office to political subs across the state have already surpassed the \$1 billion dollar amount, which is close to exceeding what was distributed in the entire 2011-2013 biennium.

With all of this increased activity, it is important that our staff feel comfortable and properly trained on the systems that they use to complete their daily duties. With that being said, a portion of our proposed increase will go towards the continued training of our staff on the software used most heavily in our office. It is imperative that our staff stays up-to-date with the latest software packages in order to keep them working as efficiently and effectively as possible.



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It is also important to note that, at certain times throughout the year, our small staff could potentially become overwhelmed with the amount of work that needs to be completed. During these times, as well as during times of unexpected staff leaves due to illness or family emergencies, we may find it necessary to bring in a temporary contract employee to complete the general office duties. This would allow our remaining staff to complete their fiscal duties. These temporary employees would be coming from a staffing agency and would be paid as contractors; this need is also part of our proposed operating expense increase.

If the past few legislative sessions are any indication, we will continue to see a number of changes to the distribution formulas. These changes not only increase the workload of our staff to make the changes, but also increase our IT demands when as we implement the changes into our TDOC system. The initial IT costs have been funded through a one-time IT appropriation. However, these also increase our ongoing ITD costs. Whenever a change is made to a formula, there is inevitably an ongoing dialogue with ITD in regards to errors encountered along the way as well as verification that the distribution is continually being calculated correctly. These costs have not been included in our one-time IT appropriation. This, in conjunction with a general increase in technology costs due to the increased activity, is why an increase in ongoing ITD expenditures is being included as part of our proposed operating expense increase.

Also in relation to the formula changes made during legislative session, it is imperative to communicate these changes with the affected political subdivisions. A significant number of these distribution formulas require certifications from each political subdivision and it is imperative that these are completed uniformly across the state. With that in mind, a portion of our proposed operating expense increase is for in-state travel costs for the Treasurer and her staff to meet face-to-face with these political subs to provide training and education. This is becoming more and more important as we continue to see increased turnover at the county level. As these new individuals move into their roles, a little guidance from our office can prevent numerous issues going forward.

Finally, as everyone in North Dakota is aware, the general cost of doing business in this state continues to rise dramatically. Our office has seen significant increases in the cost of postage, paper, office supplies, computers and everything else that is required in an office environment. We are continually looking at ways to cut costs in all of our daily activities, however, the continued increase in costs, combined with the increase in activity spelled out above, has pushed our costs continually higher.

With respect to all of the issues indicated above, the Office of State Treasurer is requesting an operating expense increase of **\$30,000** for the 2015-2017 biennial budget.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 8	<b>Priority:</b> 2
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**ITD Desktop Services Program**

This optional operating expense increase is related to the desktop services program being implemented by ITD. ITD believes it can provide a consistent and stable operating platform for our end users, which would allow us to focus on our task at hand which is most important, our business needs. ITD can manage the technology so our users can achieve better and faster results without worrying about how the technology functions. The highlights of this desktop service program are as follows:

- Procurement of new hardware—Desktops/Laptops/Monitors/Peripherals
- PC Lifecycle Management
- Microsoft Licensing— OS and Office
- Inventory and Asset Management
- Enterprise Client Management
- Image Deployment and Management
- Software Deployments
- Operating System Patching
- Anti-Virus/Spyware
- Endpoint Encryption
- Virtual Private Networks (VPN) configuration and support

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- Print Queue Management and configuration
- Mobile Device Setup and Management—Smartphones/Tablets/PDA
- Active Directory Account and Group Policy Management – Password resets
- File and Folder level access management
- Remote and On-site Support from qualified support technicians

In return for all of the above listed services, ITD plans to charge a monthly rate per standard PC as well as a \$1,955 per PC installation fee. The Office of State Treasurer had included in its 2013-2015 budget amounts earmarked for the replacement of its computers. With that in mind, the OST will be paying for the install fees out of current biennium appropriations. That leaves only the monthly rate to be included in this optional operating expense request for the 2015-2017 biennium. After discussions with ITD, we are asking for a **\$20,880** operating expense increase. This includes \$810/month for our 8 full time computers and \$60/month for the computer used by our temporary employee.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 1	<b>Priority:</b>
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Property Tax Relief

<b>Change Group:</b> A	<b>Change Type:</b> E	<b>Change No:</b> 1	<b>Priority:</b>
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Remove One-time IT Development Costs

Remove prior biennium one-time funding for IT programming.

<b>Change Group:</b> A	<b>Change Type:</b> E	<b>Change No:</b> 2	<b>Priority:</b>
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Remove One-time Property Tax Relief

Remove prior biennium funding for one-time property tax relief.

<b>Change Group:</b> A	<b>Change Type:</b> E	<b>Change No:</b> 3	<b>Priority:</b>
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Remove One-time Distribution in Oil Counties

Remove prior biennium funding for one-time township distributions in oil counties.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 1	<b>Priority:</b>
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Operating Expense Increase

Provide \$30,000 for additional staff training, contract staffing and travel that have increased as a result of higher distributions and increased workload.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 2	<b>Priority:</b>
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Desktop Services

Provides \$20,880 for ITD monthly desktop services rates to provide technical support to staff.

**BUDGET CHANGES NARRATIVE**

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<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 3	<b>Priority:</b>
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Property Tax Relief

Provides \$250.0m property tax relief.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 100	<b>Priority:</b>
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Executive Compensation Package Adjustment

This budget change provides funding for recommended 2015-17 compensation adjustments.